

CITY OF BOTHELL
King County, Washington
January 1, 1994 Through December 31, 1994

Schedule Of Findings

1. The City Should Limit Expenditures To Total Appropriations

During our audit of the city's Sanitation Fund we noted that city management had not recognized and accrued the cost of the vendor providing those services for the month of December. City management subsequently adjusted the financial statements and accrued this cost. After the adjustment, expenditures in the Sanitation Fund exceeded the appropriation by \$163,624.

RCW 35A.33.120 states in part:

The expenditures as classified and itemized in the final budget shall constitute the city's appropriations . . . Unless otherwise ordered by a court of competent jurisdiction, and subject to further limitations imposed by ordinance of the code city, the expenditure of city funds or the incurring of current liabilities on behalf of the city shall be limited to the following:

- (1) The total amount appropriated for each fund in the budget
. . . .

In addition, RCW 35A.33.125 states:

Liabilities incurred by any officer or employee of the city in excess of any budget appropriations shall not be a liability of the city. The clerk shall issue no warrant and the city council or other authorized person shall approve no claim for an expenditure in excess of the total amount appropriated for any individual fund, except upon an order of a court of competent jurisdiction or for emergencies as provided in this chapter.

Expenditures exceeded appropriations because the user rates were not set high enough to cover all costs associated with the services provided in 1994, and a budget amendment was not made before year end.

We recommend city management more carefully monitor fund activity to ensure that user rates are adequate to cover total fund operations and that expenditures do not exceed appropriations.

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Schedule Of Federal Findings

1. Costs Charged To Federal Aid Programs Should Include Only Actual Costs Incurred

Fringe benefits on salary costs charged to U.S. Department of Transportation Highway Planning and Construction Program (CFDA 20.205) Meridian Sidewalk project [Federal Aid No. STPE-EN94-(008), WSDOT Agreement No. LA-2508] were billed twice. This resulted in an overbilling of \$1,518.36.

OMB Circular A-87, *Cost Principles for State and Local Governments*, requires that all costs charged to federal grant projects be adequately supported by appropriate documentation and be for actual costs incurred.

The overbilling occurred due to a miscommunication between the engineering department and the finance department, as well as an error in the calculation of hourly rates. As a result both departments charged the program for fringe benefits. This is an isolated condition; the fringe benefits charged to the other 1994 engineering department transportation projects we audited were correct.

The city incurred additional salary costs for this project, which were due in part to an error in the calculation of hourly rates. These additional costs have not been reimbursed. A final billing is being prepared in 1995 to adjust the contract to actual costs incurred.

We recommend fringe benefits be separately stated on salary worksheets in order to avoid confusion and prevent overbilling.